

STATE OF KANSAS



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Kansas State Employees Health Care Commission
August 21, 2018, 1:30 p.m.
Telephone Conference, Topeka, Kansas

CALL TO ORDER

The Kansas State Employees Health Care Commission (HCC) meeting was called to order on August 21, 2018, at 1:33 p.m. by telephone conference. The following persons were present: Chair Sarah Shipman, Commissioners J. Scott Day, Steve Dechant, Ken Selzer, and Heather Young. John Yearly, Chief Counsel, Department of Administration, and Mike Michael from the Division of Health Care Finance (HCF), Kansas Department of Health and Environment (KDHE), were also in attendance.

ACTION ITEMS

1. Approval of Minutes

Chair Shipman asked for approval of the minutes of the June 12, 2018, meeting.

Commissioner Dechant moved and Commissioner Young seconded a motion to approve the minutes of the June 12, 2018, meeting. Motion passed 5-0.

2. On-site Clinic Follow-up Information

At the June 12, 2018, meeting, the Commission requested Segal Consulting to provide further analysis of total clinic and construction costs and guaranteed Return on Investment (ROI) for the two options of either a state-owned building or lease of a commercial real estate site. Prior to Segal's presentation, Mike Michael informed the Commission that the commercial real estate located at 222 W. 7th Street, Topeka, Kansas, has been leased and is no longer available. There are, however, three additional spaces previously viewed by Segal and Marathon still available for lease should the Commission choose the commercial lease option.

Jennifer Slutzky of Segal presented the report from Segal. The presentation compared facilities-related expenses at a commercial lease option and at Landon State Office Building.

Phase 1 of both facilities includes smaller space with an option to add space/facilities as the clinic becomes successful and additional ROI is garnered.

While the Landon site's initial construction costs were slightly lower, the recurring annual facilities-related costs were significantly higher. In response to Commissioner Dechant's question, Chair Shipman stated that the rent rate for state buildings is driven in part by federal government regulations and is unalterable.

Savings analysis for the choice of an off-site clinic versus the state facility was presented. The model assumes utilization by 8,000 employees and 8,800 spouses/children, for a total of 16,800 eligible members. Slide 4 of the presentation shows a comparison of projected implementation cost and projected hard ROI for the three-year contract period for the two types of facilities.

Jennifer Slutzky stated that construction costs are not expected to overrun implementation costs as Marathon received a detailed, comprehensive quote from a construction firm for all work to be required to complete the build. Additionally, Marathon is willing to rebate 15% of the implementation cost (their administrative fee) to ensure there are no overruns. The projected hard ROI is a possible investment that can be utilized for future expansion of the clinic for additional operation.

Percentages of expected utilization are expected to begin at 50% in Year 1 and increase to 60% by Year 3 for employees, and spouse and children utilization is expected to be 20%.

Sadhna Paralkar of Segal discussed the calculations used to reach the projected hard ROI for the two site options. The calculations foresee the number of users in conjunction with expected usage. This will create additional SEHP plan cost savings through member utilization of the on-site clinic rather than a member visiting a private physician's office, urgent care center, or emergency room. In addition, clinic hours at a commercial site can be adjusted to provide longer hours past normal workday hours, thereby increasing utilization. State building security regulations only permit access to a clinic at Landon between 8 am and 5 pm. A commercial facility has the added advantage of additional off-site parking which is unavailable at the Landon building.

It is projected there would be a rise in patient medication compliance by offering an on-site dispensary containing generic wellness drugs which can be given to patients. No controlled substances or advanced medications would be available in Phase I, but more complete pharmacy services could be developed later.

Salaries for medical providers are fixed fee under the contract and are calculated utilizing a fee for service model.

Model floor plans of both sites showing Phase I and II buildout options in future years were presented. Future space availability for either space cannot be guaranteed, but it is common that space could become available for future use.

Under Plan A there is no out-of-pocket cost associated with eligible members' use of the clinic, so utilization will probably be higher. Due to the plan limitations of Plan C, there is a federal requirement of a minimal charge that applies. The cost to Plan C members is anticipated to be about \$40 a visit. This amount will also accrue to members' deductible/co-pay costs in the same manner as a visit to a private provider. Cost savings would accrue to the SEHP.

If utilization falls short of ROI in any given year, Marathon will owe the state a sum equal to 15% of the fixed operating costs as a credit on the following year's bill.

Commissioner Dechant would like to compliment the SEHP staff and Segal Consulting for their hard and thorough work to provide the information the Commission requested for this additional analysis.

Staff Recommendation:

Staff recommends that Marathon be awarded the three-year contract to provide the on-site clinic services for the SEHP. The location will be in the Capitol complex area in a commercial site with convenient access for the employees. The facilities related expenses will not exceed \$575,000 for the initial construction cost and will not exceed \$125,000 for the recurring annual facilities related costs.

Commissioner Dechant moved and Commissioner Selzer seconded a motion to approve the award of the three-year contract to Marathon to provide the on-site clinic services for the SEHP with the above-recommended spending limits. Motion passed 5-0.

REPORTS

Contract Report for RFPs

RFPs have been, or will be, issued for six (6) contracts:

- RFP EVT0005950 to provide Flexible Spending Account Administration Services was released on July 16, 2018, and will close August 23, 2018
- RFP EVT0005965 to provide the Wellness Program was released on July 20, 2018, and will close August 30, 2018
- The following RFPs will be released later this year and during 2019:
 - Prescription Drug (PBM)
 - Employee Assistance Program (EAP)
 - Part D Prescription Drug
 - Flu Vaccinations

FUTURE MEETINGS

The next meeting is scheduled for Wednesday, September 5, 2018, at 1:30 p.m. in the KPER Boardroom, 611 S. Kansas Avenue, Topeka, Kansas.

At the Chair's request for additional business and none being raised, the meeting was adjourned by unanimous consent at 2:34 p.m.